

Message Text

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ACTION PM-03

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 2831

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C O N F I D E N T I A L SECTION 01 OF 02 LONDON 10719

DEFENSE FOR ISA FOR TIMBERLAKE AND DSAA FOR VIOLETTE

E.O. 11652: XGDS-1

TAGS: MARR, MASS, MILL, PARM, US, UK, NATO

SUBJ: US-UK MOU ON PRINCIPLES GOVERNING COOPERATION IN

R & D, PRODUCTION, AND PROCUREMENT OF DEFENSE

EQUIPMENT

1. AT SIR LESTER SUFFIELD'S (HEAD, DEFENSE SALES ORGANIZATION) REQUEST, MACDONALD ACCOMPANIED BY DILLERY MET ON 9 JULY WITH REGINALD ANDERSON (ASSISTANT UNDER SECRETARY FOR SALES) AND ERIC STANFORD (DIRECTOR FOR SALES/NORTH AMERICA) TO DISCUSS LATEST DRAFT VERSION OF PROPOSED MOU.

2. THE BRITISH SAID THAT WHILE THE MOU IS "GENERALLY ACCEPTABLE" THEY HAVE A NUMBER OF POINTS WHICH REQUIRE FURTHER CLARIFICATION BEFORE "THE PROPOSED MOU CAN BE PUT TO MINISTERS WITH THE ENDORSEMENT OF THE PROCUREMENT EXECUTIVE AND THE DEFENSE SALES ORGANIZATION".

3. THE MAIN POINTS PUT TO US BY ANDERSON FOLLOW: SECTION A PARAGRAPH 1 - THE BRITISH STRONGLY ARGUED THAT THE LAST SENTENCE, "THIS BALANCE WILL BE AT LEVELS TO BE DETERMINED TAKING INTO ACCOUNT THE RESPECTIVE DEFENSE PRODUCTION EFFORTS OF THE TWO COUNTRIES", SHOULD BE DELETED.

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ANDERSON ARGUED THAT RELEVANCE AND QUALITY OF MOU WOULD

NOT BE IMPAIRED IF SENTENCE IS DELETED AND THAT THE ISSUE OF "THE LEVEL OF BALANCE" IS A MATTER FOR NEGOTIATION UNDER MACHINERY TO BE ESTABLISHED IN CONSONANCE WITH SECTION B AND IN KEEPING WITH THE PRINCIPLES EMBODIED IN SECTION A. THE OBJECTION IN WHITEHALL TO SENTENCE AS PRESENTLY CAST IS THAT THE UNDERLYING IMPLICATION OF LINKING THE NOTION OF BALANCE TO OUR "RESPECTIVE DEFENSE PRODUCTION EFFORTS" HAS IN BRITISH MINDS THE VERY DEFINITE IMPLICATION OF A BALANCE TO BE SET AT A RATIO OF 10 TO 1.

4. ANDERSON SAID THAT IF DOD NEEDS FOR "PRESENTATIONAL PURPOSES SOME QUELIFICATION TO THE PRECEDING SENTENCE" IN WHICH THE NOTION OF AN "EQUITABLE BALANCE" IS GOVERNING, THEN HE WOULD NOT OBJECT PROVIDING THAT WHATEVER WORDS ARE USED DID NOT IMPLY SOMETHING LESS THAN WHAT COULD BE REGARDED IN THE UK AS A FIRM COMMITMENT TO "A REASONABLE LEVEL OF OFFSETTING PURCHASES FOR THE CONSIDERABLE DEFENSE EQUIPMENT PROCUREMENTS IN PROSPECT ON OUR PART". ANDERSON SUGGESTED THAT THE PROBLEM COULD BE SETTLED FOR WHITEHALL BY ADDING TO THE PENULTIMATE SENTENCE "AT LEVELS TO BE DETERMINED FROM TIME TO TIME" AND BY STRIKING THE LAST SENTENCE.

5. THE BRITISH FEEL THAT THE THRUST OF SECDEFS RECENT BRUSSELS DPC COMMENTS ON RATIONALIZATION/STANDARDIZATION AND "TWO-WAY STREET" TOGETHER WITH THE POINTS MADE IN BILATERAL DISCUSSIONS TEND TO OBIATE THE NEED FOR PRE-DETERMINING WHAT THE FACTOR FOR AN EQUITABLE BALANCE SHOULD BE.

6. SECTION A PARA 2C(I) - THE LAST TEN WORDS "TO THE EXTENT SUCH LAWS AND REGULATIONS MAY BE WAIVED" WHITEHALL FINDS OBJECTIONABLE AND OFFENDING. AS PUT TO US THESE WORDS "MIGHT WELL BE HELD TO DRIVE A COACH AND HORSES THROUGH THE WHOLE AGREEMENT". THEY RECOGNIZE FULLY THAT DOD MUST TAKE INTO ACCOUNT "THE LAW AND OTHER LEGISLATIVE FACTORS", BUT THEY SEE NO REASON WHY THE MOU SHOULD UNDERSCORE SO OBVIOUS A POINT. BY DEFINITION THE WHOLE PURPOSE OF THE MOU IS TO DEAL WITH EXCEPTIONS TO BUY AMERICAN AND BUY BRITISH REGULATIONS. SINCE THE RIGHT TO CONFIDENTIAL

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WAIVE AS WELL AS THE CIRCUMSTANCES FOR WAIVER OF BUY NATIONAL REGULATIONS AND LAWS ARE INHERENT IN THE LAWS/REGULATIONS THEMSELVES, THE BRITISH FEEL THERE IS NO NEED FOR THE MODIFYING CLAUSE IN THE MOU. AS ANDERSON PUT IT, THE OFFENDING WORDS "MAKE THE ARRANGEMENT SO PALPABLY OPEN-ENDED THAT IT WOULD MAKE IT DIFFICULT TO CLEAR THE MOU AT OUR END".

7. SECTION A PARA 2C (III) - THE BRITISH SUGGEST THAT IF PROGRESS IS TO BE MADE ON THE KIND OF BROAD FRONT CONTEMPLATED BY THE DPC AND EUROGROUP, THEN IT IS IMPORTANT THAT NATO COUNTRIES GIVE FULL RECOGNITION TO EACH OTHER'S "QUALIFIED SOURCES". WHILE RECOGNIZING THAT THIS IS AN ISSUE REQUIRING FURTHER DELIBERATION, THEY FEEL NONETHELESS

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THAT AN MOU WHICH ADDRESSES BROAD PRINCIPLES SHOULD GIVE FULL RECOGNITION TO THE QUALIFIED SOURCES WHICH EACH GOVERNMENT HAS ALREADY RECOGNIZED IN ITS OWN COUNTRY AS WELL AS BILATERALLY. IN ANY EVENT, ANDERSON PROPOSED SPECIFICALLY THAT THE WORDING OF THE MAY 13 UK DRAFT MIGHT BE MORE APPROPRIATE AND SUGGESTS THAT "AND EACH GOVERNMENT WILL RECOGNIZE THE OTHER'S QUALIFIED SOURCES" BE ADDED TO WORDING OF PARA 2C(III).

8. SECTION A PARA 2D - APPARENTLY UK LEGAL TYPES HAVE OBJECTED TO PROPOSED US WORDING AND BRITISH SUGGEST PARAGRAPH BE RECAST ALONG THE FOLLOWING LINES WHICH THEY FEEL USG CAN ACCEPT FROM LEGAL VIEWPOINT. "TO FACILITATE PRODUCTION PROGRAMS SET UP IN IMPLEMENTATION OF THIS MOU, THE GOVERNMENTS UNDERSTAND THAT SUBJECT TO THEIR ESTABLISHED POLICIES, PROCEDURES, REGULATIONS AND SUBJECT TO PRI-

VATELY OWNED PROPRIETARY RIGHTS, EACH GOVERNMENT WILL, SO FAR AS IT IS ABLE, WITHOUT INCURRING OBLIGATIONS TO OTHERS, ARRANGE FOR RELEASE TO THE OTHER AND TO ITS AGENTS, OF INFORMATION AND TECHNOLOGY NECESSARY FOR THE PURPOSES OF SUCH FACILITATION".

9. ANDERSON MADE THE POINT THAT SINCE IT IS QUITE POSSI-
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BLE HMG MIGHT PURCHASE SUB-HARPOON (OR OTHER US DEFENSE EQUIPMENT) BEFORE THE MOU IS FULLY NEGOTIATED AND SIGNED, AND SINCE THE MOU -- IF IT FALLS PROPERLY INTO PLACE -- NEGATES THE NEED FOR OFFSET NEGOTIATIONS "IN THE NARROW" ON A SYSTEM-BY-SYSTEM BASIS, HMG WILL NEED ASSURANCE FROM USG THAT IN THE EVENT THE MOU IS NOT CONSUMATED, HMG'S DESIRE FOR A REASONABLE LEVEL OF OFFSET UNDER THE GROUND RULES PREVAILING PRE-MOU ARE NOT PREJUDICED. THE MOD ASKS, THEREFORE, FOR A LETTER FROM ASD ELLSWORTH OR DEPSECDEF/ SECDEF AS CONSIDERED APPROPRIATE, SPECIFYING DOD'S INTENTION TO "UNDERTAKE RECIPROCAL PURCHASES" AT A REASONABLE LEVEL AND ALSO STATING THAT SHOULD HMG ACQUIRE SUB-HARPOON THAT WOULD BE REGARDED BY DOD AS FALLING WITHIN THE SCOPE OF THE MOU IF THE MOU IS AGREED TO EX POST FACTO SUB-HARPOON.

10. FINALLY, ANDERSON FEELS HIS HANDS IN WHITEHALL WOULD BE STRENGTHENED CONSIDERABLY IF DOD COULD GIVE AN INDICATION OF WHAT USG CONSIDERS AN "EQUITABLE BALANCE" AND HOW THIS WOULD TRANSLATE INTO A LEVEL OF RECIPROCAL PURCHASES SHOULD, FOR EXAMPLE, SUB-HARPOON BE SELECTED. WHAT THE BRITISH HAVE IN MIND -- GIVEN THE VAGARIES OF PAST OFFSET IMPLEMENTATION -- IS ESSENTIALLY AN INDICATION OF WHAT THEY MIGHT EXPECT AS A "FLOOR FIGURE" FOR OFFSET IN CASE THE APPROACH ENVISAGED IN THE PROPOSED MOU NEVER GETS OFF THE GROUND.

11. COMMENT: ENOUGH HAS NOW BEEN SAID AND WRITTEN ON THE ISSUES STEMMING FROM NOTIONS OF RATIONALIZATION/STANDARDIZATION THAT SKEPTICAL EUROPEANS NEED TO SEE SOME US MOVEMENT FROM RHETORIC AND HORTATORY INJUNCTIONS TOWARD PRAGMATIC IMPLEMENTATION. WE BELIEVE THAT ON BALANCE THE PROPOSED MOU WOULD FURTHER OUR ABILITY TO MOVE FORWARD ON THE RATIONALIZATION/STANDARDIZATION FRONT. WITH THE UK IN THE EUROGROUP CHAIR, WITH THE EUROGROUP ADDRESSING THE BROADER MULTILATERAL IMPLICATIONS, IT APPEARS OPPORTUNE TO US THAT THE PROPOSED BILATERAL MOU COULD EASILY BECOME A BUILDING BLOCK OR EVEN A FOUNDATION STONE ON WHICH WIDER NATO RATIONALIZATION/STANDARDIZATION COULD BE ACHIEVED. CERTAINLY THE BRITISH AGREE WITH US THAT THE BILATERAL ARRANGEMENT OUGHT NOT IMPEDE LATER MULTILATERAL PROGRESS.

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WHAT IS IMPORTANT AT PRESENT, IN TERMS OF AN IMMEDIATE OBJECTIVE, IS THAT THE MOU CAN BE SEEN AS EVIDENCE OF USG INTENT TO TRY AND MAKE RATIONALIZATION/STANDARDIZATION A MORE "TWO-WAY STREET" THAN HERETOFORE. THE PROPOSED US-UK MOU, BY COMMITTING THE US TO THE PRINCIPLE OF RECIPROCAL PROCUREMENT WOULD UNDERSCORE OUR GOOD FAITH AND INTENTION IN THIS REGARD. FROM THE UK'S VIEWPOINT IT WOULD STRENGTH WHITEHALL'S HANDS IN TRYING TO CONVINCE OTHER ALLIES (IN THE CONTEXT OF THE EUROGROUP DIALOGUE WHERE SKEPTICISM RUNS DEEP THAT THE US WILL FIND IT DIFFICULT TO "PUT MONEY WHERE ITS MOUTH IS" WHEN IT COMES TO IMPLEMENTATION) THAT NOW THE TIME HAS COME FOR ACTION.

RICHARDSON

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